

**Introduced by Senators Denham and McPherson**

February 21, 2003

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An act to add Section 25679.5 to the Public Resources Code, relating to ethanol.

LEGISLATIVE COUNSEL'S DIGEST

SB 820, as introduced, Denham. Ethanol.

Existing law establishes a grant program that provides a production incentive for liquid fuels fermented in the state from biomass and biomass-derived resources produced in the state. Eligible liquid fuels include ethanol, methanol, and vegetable oils.

This bill would require the State Energy Resources Conservation and Development Commission in conjunction with the California Department of Food and Agriculture, the Office of Technology Resources, and the Trade and Commerce Agency to report to the Legislature, on or before January 1, 2005, on the specific actions that state agencies and the Legislature can take that will most successfully insure the rapid development of a renewable ethanol industry in the state.

This bill would state the intent of the Legislature in enacting this requirement.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 25679.5 is added to the Public
- 2 Resources Code, to read:

1 25679.5. (a) The Legislature finds and declares all of the  
2 following:

3 (1) Pursuant to Executive Order D-5-99, issued by Governor  
4 Gray Davis on March 25, 1999, and subsequent actions following  
5 that Executive Order, as of January 1, 2004, all MTBE will be  
6 removed from gasoline sold in California.

7 (2) The MTBE volume loss in gasoline will be replaced by both  
8 nonoxygenated fuel and ethanol, as currently seen in the market.

9 (3) California currently imports nearly 100 percent of its  
10 ethanol use.

11 (4) California is in need of an economic stimulus, permanent  
12 jobs, cleaner air quality, and value-added agricultural production.

13 (5) A recent study concluded that a 300 million gallon per year  
14 ethanol industry can create over one billion dollars  
15 (\$1,000,000,000) in one time economic investment, 5,205  
16 permanent jobs in the economy, and expand the local economic  
17 base by eight hundred twenty five million dollars (\$825,000,000).

18 (6) Ethanol is a renewable fuel that helps reduce CO<sub>2</sub> emissions  
19 from vehicles, thereby addressing the air quality problem in  
20 California and fulfilling the requirements of Assembly Bill 1493  
21 of the 2001–02 Regular Session (Ch. 200, Stats. 2002), which  
22 mandates that the State Air Resources Board seek the maximum  
23 achievable CO<sub>2</sub> reductions from automobiles by 2009.

24 (7) Ethanol value adds to a variety of California produced  
25 feedstocks, including conventional grains, sugar crops, and  
26 cellulose materials, as rice straw and orchard prunings.

27 (8) The State Energy Resources Conservation and  
28 Development Commission estimates that California has the  
29 potential feedstock to produce over 3 billion gallons of ethanol and  
30 is capable of producing over 300 million gallons of ethanol over  
31 the next few years.

32 (9) California ethanol production will increase the amount of  
33 liquid transportation fuel produced in California and can help  
34 diversify the state's heavy dependence on petroleum  
35 transportation fuels, acting as an effective price hedge against  
36 disruptions to the oil supply for the California consumer.

37 (b) On or before January 1, 2005, the State Energy Resources  
38 Conservation and Development Commission in conjunction with  
39 the California Department of Food and Agriculture, the Office of  
40 Technology Resources, and the Trade and Commerce Agency,

- 1 shall report to the Legislature on specific actions that state agencies
- 2 and the Legislature can take that will most successfully ensure the
- 3 rapid development of a renewable ethanol industry in the state.

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